

(u) *State*. A State, Territory, or district of the United States.

(v) *Licensed sampler*. A person, employed by a licensed warehouseman, licensed under the act to draw samples from cotton stored in the licensed warehouse at which such person is employed.

(w) *Board of cotton examiners*. A board of cotton examiners properly qualified and designated as such under the regulations (part 28 of this chapter) under the United States Cotton Standards Act.

(x) *Net assets*. The difference remaining when liabilities are subtracted from allowable assets. In determining allowable assets, credit may be given for appraisal of real property less improvements and for the appraisal of insurable property such as buildings, machinery, equipment, and merchandise inventory only to the extent that such property is protected by insurance against loss or damage by fire, lightning, and tornado. Such insurance must be in the form of lawful insurance policies issued by insurance companies authorized to do such business and subject to service of process in the State in which the warehouse is located. The Secretary shall, at his discretion, determine what assets are allowable and under what conditions appraisals may be used.

(y) *Warehouse capacity*. Warehouse capacity is the maximum number of bales of cotton that the warehouse will accommodate when stored in the manner customary to the warehouse and as required by the Secretary.

(z) *Current assets*. Assets, including cash, that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

(aa) *Current liabilities*. Those financial obligations which are expected to be satisfied during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

(bb) *Access*. The ability when authorized, to read, change, and transfer warehouse receipt information retained in the central filing system.

(cc) *Central filing system (CFS)*. An electronic computer system operated and maintained by an approved provider where the information relating to warehouse receipts is recorded.

(dd) *Electronic warehouse receipt (EWR)*. An electronic file in the CFS that contains at the least information required to be included in a warehouse receipt by section 18 of the Act, and § 735.16, regarding a bale of cotton and has been identified to a holder.

(ee) *Holder*. An individual or entity in possession, in fact, or by operation of law, of a receipt and by extension, of the cotton represented thereby.

(ff) *Issue*. EWRs are considered issued when a licensed warehouseman has transmitted all necessary information to an approved provider, and when such information is entered into the provider's CFS.

(gg) *Provider*. An individual or entity that maintains EWRs in a CFS, meets the requirements of this part, and has a Provider Agreement with the Service.

(hh) *Provider Agreement*. An agreement entered into between the Secretary and a provider that delineates the provider's responsibilities and defines the relationship between the provider and the Service regarding the provider's maintenance and security of EWRs in the CFS and other requirements of this part.

(ii) *User*. An individual or entity that uses the provider's CFS but shall not include the Service in its regulatory capacity.

[29 FR 15720, Nov. 24, 1964. Redesignated and amended at 50 FR 1814, Jan. 14, 1985; Amdt. 2, 53 FR 27148, July 19, 1988; 59 FR 15038, Mar. 31, 1994; 62 FR 33540, June 20, 1997]

WAREHOUSE LICENSES

§ 735.3 Application forms.

Applications for licenses under sections 4 and 9 of the act and for amendments of licenses under section 5 of the act shall be made to the Secretary upon forms prescribed for the purpose and furnished by the Service, shall be in English, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Secretary or

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the Administrator shall find to be necessary to the consideration of his application.

§ 735.3a All facilities to be licensed or exempted.

All facilities within the same city or town used for the storage of cotton by an applicant for a warehouse license must qualify for a license and be licensed under the act if the applicant is to be licensed to operate as a cotton warehouseman in such city or town, unless the facilities which are not to be covered by a license are exempted by the Secretary or his designated representative upon a finding that, due to the exercise of adequate controls by some independent agency over the operation of nonfederally licensed facilities, there would be no likelihood of interchange or substitution of cotton stored in such facilities with cotton stored in the federally licensed facilities. If all such facilities do not qualify for a license or for an exemption under this section, the applicant shall not be licensed under the act as a cotton warehouseman in the city or town in which the facilities in question are located. Each applicant for a warehouse license must apply for a license covering all facilities operated by him for the storage of cotton within the same city or town or for exemption as provided in this section. If a licensed cotton warehouseman acquires any additional cotton storage facilities within the same city or town in which his licensed warehouse is located, he shall file promptly an application for a license or an exemption of the additional facilities. No cotton storage facility acquired by a licensed cotton warehouseman, subsequent to the issuance of his license, in the same city or town as his licensed facilities, shall be used for the storage of cotton until it qualifies for license and is licensed or is exempted as provided in this section. If any one of the licensed cotton storage facilities operated by a warehouseman in the same city or town becomes ineligible for a license at any time for any reason, it shall not thereafter be used for the storage of cotton until the condition making it ineligible is removed or an exemption is granted as provided in this section. The use for the storage

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of cotton by a licensed warehouseman of a facility which is in the same city or town as his licensed facilities and is neither licensed nor exempted, or other violation of the provisions of this section, shall be cause for suspension or revocation of any license issued to the warehouseman for the storage of cotton.

§ 735.4 Grounds for not issuing a license.

A license for the conduct of a warehouse, or any amendment to a license, under the regulations in this part, shall not be issued if it is found by the Secretary, or his designated representative, that the warehouse is not suitable for the proper storage of cotton; that the warehouseman does not possess a good reputation, or does not have a net worth of at least \$25,000, or is incompetent to conduct such warehouse in accordance with the act and the regulations in this part; or that there is any other sufficient reason within the intent of the act for not issuing such license. If all the facilities operated for the storage of cotton by the applicant within the same city or town are not to be licensed under the act, the applicant shall not be licensed as a cotton warehouseman with respect to any of such facilities, unless an exemption of the facilities which are not to be licensed is granted as provided in § 735.3a.

[29 FR 15720, Nov. 24, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985, and amended at Amdt. 2, 53 FR 27148, July 19, 1988]

§ 735.5 Financial requirements.

(a) Each warehouseman conducting a warehouse licensed under the Act or for which application for a license under the Act has been made must maintain complete, accurate, and current financial records which shall be available to the Secretary for review or audit at the Secretary's request.

(b) Each warehouseman conducting a warehouse for which application for license under the Act is made shall provide with the application and each licensed warehouseman: shall annually, or more frequently if required, furnish to the Secretary, financial statements from the records required in paragraph (a) of this section, prepared according